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Your Ultimate Accounts Payable Year-End Close Checklist

To ensure a smooth year-end close, we've compiled a 10-step comprehensive checklist. End the year with confidence, knowing you've closed all the gaps, fixed all the errors, and wrapped up with time to spare.

1. Policies and Procedures

Implementing standard policies and procedures is crucial for your year-end success. Make sure you have current and up-to-date standards for:

- ☐ Accounting
- ☐ Communication
- ☐ Coordination
- ☐ Checklists

2. Responsibilities During the Fiscal Close

Be aware of organizational, process, and system changes in your business. You don't want your company's roles and responsibilities to break down at year-end. Or have your company proliferate checks and balances because of extra stress. Keep your team sleek and streamlined by clearly defining this step.

- ☐ Define and communicate roles and responsibilities during each fiscal close.

3. Accrued Expenses

You need accrual procedures at the close of each month, quarter, and fiscal year to ensure that all expenses are properly included in the company's financial statements. Your key point: estimate accruals where possible.

- ☐ Collect all your accrued expenses.
- ☐ Define your materiality level properly.

4. Properly Recognizing Expenses

Remember: Follow the money! Expenses should follow the period they were incurred.

- [ ] Record expenses in the period in which the goods or services are received or used.
- [ ] Record expenses as the corresponding revenues are recorded.

5. The Review Process

Similar to step four, you want to have a clear and uncluttered review process. Too many levels of review during fiscal close can slow down the process by creating bottlenecks. Check out what happened in last year's close to adjust for your upcoming close.

- [ ] Review past bottlenecks.
- [ ] Investigate automating your workflow approvals.
- [ ] Cut out unnecessary levels of review.

6. Internal Controls

Things get hectic during fiscal year-end closes. And that hectic environment is a great place for fraud. Whether it's hiding phony supplier payments or inflated balances, a fraudster will try to capitalize on the chaotic year-end conditions. That's why it's important to continue to look at internal controls to look out for anomalies or inflated accounts.

- [ ] Charge invoices in the fiscal year in which the goods are received and services performed.
- [ ] Use internal controls to perform ratio and trend analysis of account balances.

7. Reconciling Accounts

Don't wait until the end of the fiscal year to reconcile your accounts payable, clearing accounts and debit balances. If you do, you'll find a whole lot of skeletons buried in those clearing account

- [ ] Research and explain significant balance fluctuations.
- [ ] Ensure account reconciliations are appropriately approved.

8. Solving Variances

When doing your account reconciliations, don't just leave variances. Analyze and determine how comfortable you are with them. Set a threshold. Then, dissect them a little bit: explain them and figure out what types of action plans need to be developed to address your variances. Make sure you have an action plan to address them.

- [ ] Set a threshold you're comfortable with.
- [ ] Variances should be explained.
- [ ] Develop an action plan to address all variances.

9. Journal Entries

Quick tip: automate your journal entry process. Move any standard or recurring journal entry out of the year-end close and automate the process. That means you can get your repetitive journal entries queued up and ready to go ahead of time.

- [ ] Make greater use of importing tools to upload information into the accounting package.
- [ ] Minimize the risk of duplicate and erroneous manual entries.

10. Financial Close Metrics

Why worry about metrics during the close? Well, first, you want to make sure that you've got the correct financial information and aren't making errors. Really, you're focusing on the quality of your close: using metrics helps you prevent anything bad from happening and helps with future closing processes.

- [ ] Gross number of adjusting entries: correct transaction errors—their correction delays the closing process.
- [ ] Review errors: use the information to track down and correct underlying problems that can be prevented during future closing processes.
- [ ] Completion times and ending balances:
  - Cycle time to complete final accounts payable disbursement run
  - Cycle time to complete the accrual process
  - Ending clearing account balance
  - Outstanding debit account balance

Corporate Transaction Checklist

Adjustments

- [ ] Automatic payments (bank drafts and adjustments)
- [ ] Transactions not yet entered: invoices, bills, sales commissions and royalties
- [ ] Transactions entered or coded incorrectly: invoices, bills, sales, payroll
- [ ] Infrequent transactions: returns, voided, corrected or reissued paychecks, tax payments, vendor refunds
- [ ] Inventory adjustments
- [ ] Job adjustments or allocations
- [ ] Payroll adjustments
- [ ] Adjustments for taxes: sales tax, payroll taxes, franchise taxes, etc.
- [ ] Fixed assets: depreciation entries
- [ ] Loan payments: allocating interest and principle
- [ ] Aged accounts receivable: any to be written off as uncollectible
- [ ] Accruals
- [ ] Any questions the client might bring up that would lead to a journal entry?

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Integration

- [ ] Revenue and cost of goods sold/inventory entry
- [ ] Job costing
- [ ] Payroll (here, you may have several weekly entries to post)
- [ ] Suggest a change to systems where applicable

Reconcile

- [ ] Bank statement additions and corrections to cash accounts
- [ ] Petty cash
- [ ] Accounts receivable
- [ ] Credit card statements
- [ ] Equity accounts
- [ ] Loans
- [ ] Accounts payable
- [ ] Inventory
- [ ] Fixed assets
- [ ] Other asset or liability accounts

Review

- [ ] General ledger coding consistency: is the transaction coded completely and to the right account?
- [ ] If class is used, is it complete for all transactions?
- [ ] If job is used, is it complete for all transactions?
- [ ] Is the backup documentation in order?
- [ ] Are authorizations complete?
- [ ] Do the transactions look reasonable?

Payroll

- [ ] Is documentation for new hires complete?
- [ ] Is the hourly rate or salary amount correct?
- [ ] Are hours accurate for hourly employees?
- [ ] Is overtime paid at the agreed-upon rate?
- [ ] Are deductions taken?
- [ ] Are taxes figured correctly?
- [ ] Are payroll deposits made on time?

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- [ ] Are there any court orders that need to be followed?
- [ ] Is tax taken out of bonus checks?
- [ ] Are there any checks that are paid directly to employees?
- [ ] Are employee loans accounted for and collected?
- [ ] Are expense reports in order and coded properly?
- [ ] Are payroll reports filed timely (quarterly)?
- [ ] Are state unemployment payments and reports handled accurately?
- [ ] Are there any cash payroll transactions (illegal in many states)?
- [ ] Are all transactions booked correctly?
- [ ] If payroll is charged to classes or jobs, are classes/jobs charged appropriately?

Reporting

- [ ] Monthly profit and loss
- [ ] Sales reports
- [ ] Balance sheet as of month end
- [ ] Aged accounts receivable
- [ ] Reports by job or class
- [ ] Budget vs. actual reports, if applicable
- [ ] Any memorized report that is routine for the client
- [ ] Generate task list from report analysis
- [ ] General ledger
- [ ] Missing checks report
- [ ] Voided/deleted transactions
- [ ] Audit trail
- [ ] Payroll reports
- [ ] Vendor reports
- [ ] Ledgers from any accounts that need special review

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Accounts Payable Fiscal Year-End Close:

Corporate Journal Entry Checklist

Standard Entries	Preparer/Date	Reviewer/Date	Date
Minority interest income tax provision entries			
Cash Entries			
Petty cash - cash entries			
Worker's compensation payment entries			
Bank fees/credit card fees			
Monthly bank debt activity			
Monthly cash clearing			
Cash transfers to corp			
Pay Roll Entries			
Prior month production payroll accrual reversal			
Prior month office payroll accrual reversal			
Prior month shop fringe/tax accrual reversal			
Current month production payroll accrual			
Current month office payroll accrual			
Current month shop fringe/tax accrual			
401K payroll contributions - payroll			
FSA flex entries - week 1			
FSA flex entries - week 2			
FSA flex entries - week 3			
FSA flex entries - week 4			
FSA flex entries - week 5			
Health insurance			
Dental insurance			
Life insurance			

Vision insurance			
Accrue incentive/bonus compensation			
Charge monthly unemployment costs to division (SUTA & FUTA)			
Worker's comp monthly expense entry			
Monthly amortization - D&O and employer's liability insurance			
Post-Final WIP Entries			
Post final WIP entries			
Final WIP entries			
Reclass payroll taxes from COS to SG&A			
Reclass out of COS and factory expense			
Other Entries			
Run stockroom entry			
Run stockroom journal and check for large, specified amounts			
Quarterly Entries			
Life insurance entry			
Depreciation			
Record quarterly option expense			
Accrue quarterly interest on state tax estimated liability			
Fixed assets move capex in process to fixed assets			
Record foreign exchange entry			
Reallocate projects run through multiple factories			
Confirm entry of all final adj from the prior month's quarter-end			
Yearly Entries			
Pension/medical			
Income taxes			

Accounts Payable Fiscal Year-End Close:

Corporate Consolidation Checklist

Consolidation	Applicable Business Unit	Responsible Party	Initial & Date Completed	Comments
Prepare Consolidation Spreadsheets for the new month				
Health Insurance				
Print and review each Division				
Trial Balance				
Enter each company's Trial Balance to the Consolidation spreadsheet				
Verify entry by balancing and reviewing the Trial Balance for each Division				
Prepare adjustments and elimination entries				
Prepare adjustments and elimination entries				
Prepare adjustments and elimination entries				
Enter adjustments and elimination entries into the Consolidation spreadsheet				
Verify the Consolidation spreadsheet check items are correct				
Enter the income tax and minority journal entries				
Verify Tax rate matches CFO estimate				

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Accounts Payable Fiscal Year-End Close:

Financial Close Sample Schedule

Changes to company organization structure are due to corporate financial reporting.	Workday Minus 7
Vendor invoices and employee expense reports due to the Accounts Payable department by 5:00 pm	Workday Minus 6
Intercompany charge cutoff (except charges calculated as a percent of revenue)	Workday Minus 5
Foreign exchange rates loaded into the accounting system	Workday Minus 1
Preliminary operating expense reports available	Workday 1
Expense accruals and re-classes due to general ledger by 12:00 PM	Workday 2
Revenue and commissions entered and closed	Workday 3
Division controllers sign off on expenses by 12:00 PM	Workday 4
Final operating expense reports distributed	Workday 4
Revenue and expense accounts closed by 12:00 PM	Workday 4
Balance sheet reconciliations due to the general ledger reporting group	Workday 10
Unaudited financials released (except at each quarter-end, when financials are available after the earnings press release)	Workday 10

Final Thoughts

The year-end close requires a collaborative effort involving coordination and effective communication. Utilize checklists as a valuable tool, ensuring that the fundamentals are never overlooked while fostering mutual accountability within the team.

Find out how Tradeshift can help your Accounts Payable team wrap up the year right. Schedule a demo today.